

SBOA UPDATE 08.18.15

IASBO REGION 7

RYAN PRESTON

DIRECTOR OF AUDIT SERVICES

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SPECIAL ED COOP

Grant from DOE is with the School, NOT the Co-op

Co-op must supply you with the amount of the grant that applies to your school

You will report that amount on your SEFA (i.e. in Gateway)



FEDERAL GRANT

Grants - Google Chrome

https://gateway.ifonline.org/afr/interface_access.aspx?interface_id=27

Gateway Transparency 8.1.06 SBOA Peoplesoft IGA CUBS MLB Pay Townships Website Update Test Website 2014 IC 2015 IC

Activity Alert - session will expire in :19:02

Select Unit and Year > [AFR Main Menu](#) > **Grants**

County: **Hamilton County**
Unit: **HAMILTON SOUTHEASTERN SCHOOL CORPORATION**
Year: **2014-2015**

IMPORTANT: Click on 'Save All Work' to save changes before leaving data entry pages. Also, avoid using double quotes.

Grants ? [Return to AFR Main Menu](#)

Complete the Grant Schedule for grants you received or disbursed money from during the year.

Delete	Local Project Name/Description	Federal Program Title/Project Name	Federal Agency	Pass Through Agency	CFDA Number (###.###)	Award Name	Award Number	Grant Type
✖	Title I 2013-2014	Title I, Part A Cluster	Department of Education	Indiana Department of Education	84.010	Title I Grants to Local Educational Agencies	14-3005	Reimbursement
✖	Special Education, Technical Assistance FY 2014	Special Education Cluster (IDEA)	Department of Education	Indiana Department of Education	84.027	Special Education Technical Assistance Grants to States	99914-130-TA01	Reimbursement
✖	Special Education Preschool FY 2014	Special Education Cluster (IDEA)	Department of Education	Indiana Department of Education	84.173	Special Education Preschool Grants	45714-130-PN01	Reimbursement
✖	Title III 2013-2015	English Language Acquisition State Grants	Department of Education	Indiana Department of Education	84.365	Title III	01114-030-PN01	Reimbursement
✖	Title II, Part A FY 2012	Improving Teacher Quality State Grants	Department of Education	Indiana Department of Education	84.367	Title II, Part A FY 2012	12-3005	Reimbursement
✖	School Lunch Program	Child Nutrition Cluster	Department of Agriculture	Indiana Department of Education	10.555	School Lunch Program	3005	Reimbursement
✖	Special Education, Part B FY 2014	Special Education Cluster (IDEA)	Department of Education	Indiana Department of Education	84.027	Special Education Grants to States	14214-130-PN01	Reimbursement
✖	School Breakfast Program	Child Nutrition Cluster	Department of Agriculture	Indiana Department of Education	10.553	School Breakfast Program	3005	Reimbursement

[Return to AFR Main Menu](#)

Item Descriptions

COMMON FINDINGS & COMMENTS

Section II Findings

Findings in relation to Financial Reporting (Controls &/or Compliance)

Section III Findings

Findings in relation to a specific Federal Grant (Controls &/or Compliance)

Audit Results & Comments

Compliance issues

Indiana Codes

SBOA Manuals/Bulletins/Directives (IC 5-11-1-24)



INTERNAL CONTROL DEFINITIONS

Control Deficiency

Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Material Weakness

A deficiency, or combination of deficiencies such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency

A deficiency, or combination of deficiencies that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.



COMMON FINDINGS AND COMMENTS

§ II – I/C AND COMPLIANCE OVER FINANCIAL REPORTING

If Financial Statements (including SEFA) are materially misstated, then there is a compliance finding. By definition then, there is also a deficiency in controls

Materiality – AUDITING term

Form 13

Financial Statements

Notes to F/S

SEFA

Notes to F/S



COMMON FINDINGS AND COMMENTS

§ III – I/C & COMPLIANCE EQUIPMENT

Capital Assets Ledger

Track Equipment purchased with Federal Money

CAPITAL ASSETS LEDGER

General Form No. 369 (Rev. 2004)

FUND _____

DEPARTMENT OR BUILDING _____

Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Fixed Asset	Amount Received on Disposal or Trade in	Types of Capital Assets					Machinery and Equipment	Construction in Progress	Total Fixed Assets
								Land	Infrastructure	Buildings	Improvements Other Than Buildings				
1															
2															
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EXHIBIT

COMMON FINDINGS AND COMMENTS

§ III – I/C & COMPLIANCE OVER PROCUREMENT

Contract with Food Service Companies

You are still required to comply with all compliance requirements



COMMON FINDINGS AND COMMENTS

AUDIT RESULTS AND COMMENTS

Accounting for Prepaid Lunch Receipts

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end.



COMMON FINDINGS AND COMMENTS

AUDIT RESULTS AND COMMENTS

Educational Fees

COMMON FINDINGS AND COMMENTS

GRANT FUNDS AND EDUCATIONAL FEES

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions.

RECEIPTING OF EDUCATIONAL FEES

The following types of items should not be assessed, collected or receipted to a school extra-curricular account:

Air Conditioning Fees Parking Fees
Instructional Fees Bus Rider Fees
Fees for Payroll Positions (Nurses, Principals, Counselors, etc.)

The Attorney General of the State of Indiana on June 15, 2001 issued Official Opinion 2001-4 concerning "Health Service Fees." The conclusion of Official Opinion 2001-4 states: "Indiana Constitution Article 8 § 1 and the Indiana General Assembly provide for 'Common school systems wherein tuition shall be without charge.' Also, the General Assembly has provided for funding of schools and a method for calculating tuition. Health services, because they include instruction and education are tuition. Therefore, a school corporation may not charge a separate fee for health services."

Additionally, the following items are outside of corporation or extra curricular records and should only be maintained by private groups or individuals and not in the extra curricular account:

PTO Band Boosters
PTA Athletic Boosters

Extra curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear in funds of the extra curricular account. Accounting for them should be in the general fund of the school corporation. Examples are:

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Special Education
Distributive Education	Driver Education Fees
Equipment Sale or Rental	Summer School Fees
Facilities Rental	Supplies
Grants (State, Federal and Other)	Towel Fees (when towels are purchased from corporation funds)

Night School Fees

Vocational Evening School Fees

6-2

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. IC 20-33-10-4(c) provides that an official recruiting representative may be required to pay a fee for copying and mailing the high school student directory information described in an amount that is not more than the actual cost incurred by the high school. The anticipated expenditure of these fees for educational materials and supplies shall be included in the appropriation for that purpose. If done in this manner, provisions will be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and will not affect the tax rate if the collections are sufficient to offset the expenditures as estimated. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely.

Any dues collected for the support of classes or social organizations shall be receipted to the extra-curricular fund for that organization to support the activities. If a student in a vocational (shop, home economics, etc.) class, voluntarily begins a project for which special materials are necessary and which will result in a product which the student will take home for personal use, an amount equal to the actual cost of the special materials may be collected from the student and receipted to a fund in the extra-curricular account for the specific purpose of providing the special materials. Any extra curricular fund established for this purpose should contain no balance at the end of the school year since the collections from students equals the expenditures for the materials.

Accordingly, with the above references to receipts, all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. (See General Fund, Student Activity Fund and Investments and Investment Income Fund) These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statute and must be treated separately.

MEMBERSHIP DUES

OFFICIAL BONDS

School Treasurers:

“Any individual whose official duties include receiving, processing, depositing, disbursing, or otherwise have access to funds that belong to the school corporation...” must be bonded [IC 20-26-4-5(a)]

Amount determined by School Board

Term = 1 year commencing on July 1

Blanket Bond is OK [IC 20-26-4-5(b)]

Copies must be submitted to SBOA via Gateway with AFR



OFFICIAL BONDS

Extracurricular Treasurer:

Must be bonded if handle funds in excess \$300

Amount determined by superintendent and principal by approximating the total “anticipated funds that will come into possession of the treasurer at any one time during the regular school year.” [IC 20-41-1-6(a)]

We recommend term commences July 1

Blanket Bond OK

Must be filed with the trustee or board of school trustee.

Copies must be submitted to SBOA via Gateway with AFR



PUBLIC LAW 181-2015, HEA 1104

Permits the state board of accounts to determine the frequency with which the state board of accounts conducts financial examinations based on risk based criteria approved by the audit and financial reporting subcommittee of the legislative council. Adds provisions for allowing a public entity to have an examination: (1) conducted outside the time frame provided for by statute or state board of accounts guidelines, due to federal requirements, continuing disclosure requirements, or as a condition of a public bond issuance; or (2) conducted in accordance with generally accepted accounting principles. Provides that the results of an examination of the state board of accounts are confidential until approved and released for publication by the state examiner.



EXAMINATION FREQUENCY

IC 20-41-1-4(a) states in part: “The records and affairs of the extracurricular activities may be examined by the state board of accounts when the state examiner determines an examination is necessary.”

IC 5-11-1-24(b) states in part: “... the state board of accounts shall conduct examinations of audited entities at the times determined by the state board of accounts, but not less than once every four (4) years, using risk based examination criteria that are established by the state board of accounts and approved by the audit committee... (d) As permitted under this section ... examinations of school corporations shall be conducted biennially.”



EXTRA-CURRICULAR RISK GATEWAY APPLICATION

Main Menu - Google Chrome

https://gateway.ifonline.org/ECA/Menu.aspx

Apps Indiana Code 2015 -... Gateway Public Site Frontier-Yahoo! Mail PeopleSoft The Learning Conne... Health Assessment I... Scramble Handicap ... Other bookmarks

Gateway

INDIANA

for government units



ECA Risk Report

[Home](#) [About](#) [Account Settings](#) [Help](#) [Logout](#)

Select Unit > Select Year > Main Menu

County:
Unit: Sboa Eca Unit
School
Corporation:
Year: 2014 - 2015

Main Menu

The sections below are required to complete your report. To change any of the fields on the report, click on the link option on the menu below.

		Status
Risk Assessment	Complete the Risk Assessment questions.	Completed.
Annual Reporting	Schedule of Balance, Receipts and Expenditures, Cash Reconciliation, Detail of Receipts and Expenditures by Fund and the Report Certificate.	1 Fund(s) have been added.
Report Output	View reports as PDFs or Excel spreadsheets.	
Submit	Review and submit ECA Risk Report to SBOA.	Not Submitted

Indiana Gateway for Government Units is the collection platform for local units of government to submit required data to the State of Indiana, as well as a public access tool for citizens. It represents a unique partnership between the State of Indiana and the [Indiana Business Research Center](#) at IU's Kelley School of Business, with initial support from the Lilly Endowment and sustainable support from the State of Indiana.

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Information for Indiana

RISK ASSESSMENT

https://gateway.ifonline.org/ECA/Risk.aspx - Google Chrome

https://gateway.ifonline.org/ECA/Risk.aspx

Apps Indiana Code 2015 -... Gateway Public Site Frontier-Yahoo! Mail PeopleSoft The Learning Conne... Health Assessment I... Scramble Handicap ... Other bookmarks

Corporation:
Year: 2014 - 2015

Risk Assessment

Please answer all questions. Certain questions may require documentation to be uploaded or additional information to be entered.

[Click here to Save Risk Assessment](#)

1. How is the ECA's ledger maintained? Computerized

2. Was a financial report made within two weeks after the close of the school year and after each semester if your school had two (2) or more semesters in a school year, of all fund activity to the school board and superintendent of schools accordance with IC 20-41-1-3 and IC 20-41-1-8. ☐ Yes ☒ No

3. Was the ECA bank account balance reconciled to the ledger balances on a monthly basis? ☐ Yes ☒ No

4. Does anyone review and approve the completed bank reconcilements? ☐ Yes ☒ No

5. Does the ECA have any investments (certificates of deposit, savings accounts, etc.)? ☐ Yes ☒ No

6. Are any investments accounted for on the ECA ledger? ☐ Yes ☒ No

7. Is a receipt issued for all monies received and at the time the money is received? ☐ Yes ☒ No

8. Please indicate how often deposits are made. Daily

9. When totaling the receipts issued for the day does the classification of the receipts (i.e. cash, checks, etc.) and the classification as shown on the deposit ticket (i.e. currency, checks, etc.) agree? This would include collections for items like textbook rental, fundraisers, ticket sales, etc. ☐ Yes ☒ No

10. Is School Lunch accounted for in the ECA ledgers? ☐ Yes ☒ No

11. Is Textbook rental accounted for in the ECA ledgers? ☐ Yes ☒ No

12. Is a Purchase Order/Accounts Payable Voucher (Form SA-1) and/or Claim for Payment (Form SA-7) used for disbursements? ☐ Yes ☒ No

13. Are the Purchase Order/Accounts Payable Vouchers (Form SA-1) and/or Claim for Payment (Form SA-7) properly itemized? ☐ Yes ☒ No

14. Are the Purchase Order/Accounts Payable Vouchers (Form SA-1) and/or Claim for Payment (Form SA-7) signed by the appropriate officials? ☐ Yes ☒ No

15. Are Ticket Sales (Form SA-4) reports used at events for which an admission price is collected? ☐ Yes ☒ No

16. Are prenumbered tickets used for sporting and other events for which an admission price is collected? ☐ Yes ☒ No

17. Do any school personnel stock vending machines and remove money from the machine? ☐ Yes ☒ No

18. The Summary Collection Form (SA-8) is to be used when a teacher, class sponsor, or other school personnel are in charge of collecting money (for a field trip, fundraiser, etc.) that is later turned over to the ECA treasurer. Was Form SA-8 used to transmit monies collected by teachers, class sponsors, etc. to the ECA treasurer? ☐ Yes ☒ No

19. Are any outside organizations such as booster clubs, 4-H, Girl Scouts, PTO/PTA, etc. accounted for in the ECA ledgers? ☐ Yes ☒ No

20. Have items included as comments in the most recent State Board of Accounts review been adequately corrected? ☒ Yes ☐ No

[Click here to Save Risk Assessment](#)

Once the form has been completed and saved, return to the main [Menu](#)

ANNUAL REPORTING

Schedule of Balances, Receipts, and Expenditures - Google Chrome

https://gateway.ifionline.org/ECA/ECA_1.aspx

Apps Indiana Code 2015 -... Gateway Public Site Frontier-Yahoo! Mail PeopleSoft The Learning Conne... Health Assessment I... Scramble Handicap ... Other bookmarks

Schedule of Balances, Receipts, and Expenditures

Click below to Add a new fund or [Click here to upload Files](#) You can skip the entry process by uploading 3 individual files – Funds, Receipts, Expenditures. There is an excel template provided for each one – just click on the template, save it to your local machine, and enter the required information. Then follow the on-screen instructions to "Browse" for the file and then click on Upload File. The fund file must be uploaded before you can upload receipts or disbursements. If you find you made a mistake in the file you uploaded, correct it and then re-upload. **This will delete any previously entered or uploaded data.**

+ Click here to Add a New Fund

	NAME OF FUND	BALANCE BEGINNING OF PERIOD	RECEIPTS DURING PERIOD	EXPENDITURES	BALANCE END OF PERIOD	
Edit	tes	\$3.00	\$6.00	\$8.00	\$1.00	Delete

Please make sure to scroll down to see the complete form.
Click the "Save the Fund and the Detail" button at the bottom or the top to Save the Fund once completed

[Save the Fund and the Detail](#) [Cancel](#)

Detail of Fund
Please fill in all the fields:
Name of the Fund:
Balance Beginning of Period:

Detail of Receipts By Fund

	Source of Receipts	Nature of Receipts	Amount	
Edit Receipt	test 4	test 5	\$6.00	Delete
	\$3.00	\$6.00	\$8.00	\$1.00

[Click here to Continue to Cash Reconciliation](#)
** Please make sure to save **

Select Unit > Select Year > Main Menu > Schedule of Balance, Receipts and Expenditures > Cash Reconciliation > Report Certificate > Review

Indiana Gateway for Government Units is the collection platform for local units of government to submit required data to the State of Indiana, as well as a public access tool for citizens. It represents a unique partnership between the State of Indiana and the [Indiana Business Research Center](#) at IU's Kelley School of Business, with initial support from the Lilly Endowment and sustainable support from the State of Indiana.

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ANNUAL REPORT CONT.

https://gateway.ifonline.org/ECA/ECA_2.aspx - Google Chrome

https://gateway.ifonline.org/ECA/ECA_2.aspx

Apps Indiana Code 2015 ~... Gateway Public Site Frontier-Yahoo! Mail PeopleSoft The Learning Conne... Health Assessment I... Scramble Handicap ... Other bookmarks

Corporation:
Year: 2014 - 2015

Cash Reconciliation

Enter the depository balance, the cash on hand, deposits in transit and any reconciling items below. The bank statement used should be the same date as the closing date of the fund information.

Depository Balance:	<input type="text" value="\$10,142.00"/>
Cash On Hand (ADD):	<input type="text" value="\$0.00"/>
Deposits In Transit (ADD):	<input type="text" value="\$0.00"/>
Other Reconciling Items (ADD/DEDUCT):	<input type="text" value="(\$61.00)"/>
Total of Outstanding Check (DEDUCT):	\$862.00
Balance:	\$9,219.00

Save and Calculate Total of Outstanding Check and Balance

Outstanding Checks

+ Add new record

	Date	Number	Amount	Delete
<input type="button" value="Edit"/>	5/05/2015	555	\$555.00	<input type="button" value="X"/>
<input type="button" value="Edit"/>	3/03/2015	123	\$5.00	<input type="button" value="X"/>
<input type="button" value="Edit"/>	4/30/2015	333	\$30.00	<input type="button" value="X"/>
<input type="button" value="Edit"/>	5/15/2015	222	\$50.00	<input type="button" value="X"/>
<input type="button" value="Edit"/>	5/01/2015	111	\$222.00	<input type="button" value="X"/>
			Total : \$862.00	

+ Add new record

[Click here to Continue to Report Certificate](#)

** Please make sure to save **

[Select Unit](#) > [Select Year](#) > [Main Menu](#) > [Schedule of Balance, Receipts and Expenditures](#) > [Cash Reconciliation](#) > [Report Certificate](#) > [Review](#)

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ANNUAL REPORT CONT.

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← → ↻ https://gateway.ifionline.org/ECA/ECA_3.aspx 🔍 ☆ ☰

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[Update Report Certificate](#)

Prescribed by State Board of Accounts Report Certificate

The bank in which all monies of this account are deposited is :

Name of Bank

Location of Bank

Date school officially closed 📅

BOND OF SCHOOL TREASURER

Name of Surety

Amount of Bond

Date of Expiration 📅

CERTIFICATE OF SCHOOL TREASURER/PRINCIPAL

I, , Treasurer, ,
Principal, of the School Extra-Curricular
Account, hereby certify that the foregoing report of the said account is true and correct to the best of my knowledge and belief.
I further certify that copies of this report have been filed with the officers designated by law to receive copies of said report.

Treasurer

Principal

COPIES TO BE FILED AS FOLLOWS :

Township School: 1 copy to Township Trustee
 1 copy to County Superintendent

School Corporation: 1 copy to Board of School Trustees or Board of School Commissioners
 1 copy to Board of Superintendent of Schools

[Update Report Certificate](#)

[Click here to Continue to Review](#)

SUBMISSION

“Submission Rights” have been assigned to the fiscal officer because that is who is required to submit the Gateway Annual Report to the State Examiner.

“Edit Rights” can be assigned to whomever the School Corporation wants to assign them. We suggest completing the ECA Delegation of Authority Form (http://www.in.gov/sboa/files/Gateway_ECA_Delegation_Form.pdf). You can complete the form, scan it, and email to gateway@sboa.in.gov.


After inputting information the ECA Treasurer will have the ability to produce and print the required SA-5 via the Report Output section.



PUBLIC LAW 184-2015, HEA 1264

Beginning July 1, 2016, requires the following: (1) The legislative body of a political subdivision to ensure appropriate training of personnel concerning the political subdivision's internal control system. (2) The fiscal officer of a political subdivision to certify annually that certain internal controls and procedures are in place and that personnel have received training in the internal controls and procedures. (3) The state board of accounts (board) to issue a comment in its examination report if internal controls and procedures are not adopted or personnel have not received training. (4) The board to report the uncorrected violations to the department of local government finance (DLGF). (5) The DLGF may not approve the political subdivision's budget or supplemental appropriations if the political subdivision fails to adopt internal controls and procedures or train personnel. (6) Certain reporting and follow up related to a report of misappropriation of political subdivision funds. (7) Board action for material variances, losses, shortages, or thefts. Requires the board to develop or designate personnel training materials not later than November 1, 2015. Effective July 1, 2016, provides for restitution related to attorney general proceedings. Allows the executive or member of the fiscal body of a city, town, or township (unit) to serve as a volunteer firefighter for a volunteer fire department or a fire department that provides fire protection services to the unit. Requires a fiscal body member of a unit who is also a volunteer firefighter for a fire department providing fire protection services to the unit to abstain from voting on the unit's budget and tax levies. Provides that if at least a majority of the members of the unit abstain from voting on the budget, the most recent annual appropriations and annual tax levy are continued for the ensuing budget year. Provides that the executive of the unit may petition the county fiscal body for an increase in the budget or for additional appropriations.

IC 5-11-1-27

- (e) – requires the SBOA to define the minimum level of internal control in a Uniform Compliance Guidelines Manual.
 - (f) – requires the SBOA to develop or designate approved training materials to implement statute.
 - (g) – requires after June 30, 2016, that all School Corporations shall develop and adopt internal controls, and provide training for all personnel.
 - (h) – requires after June 30, 2016, that all fiscal officers will have to certify internal controls have been developed and adopted, and that all personnel have received training.
 - (i) – requires the SBOA to include an Examination Result and Comment in all reports if we find a School Corporation has not developed or adopted internal controls, or if we find training has not been provided to personnel. If during future examinations we find the School Corporation has still not developed, adopted, and trained on internal controls, then the School Corporation has 60 days to correct the problem or the SBOA will be required to report it to the DLGF.
- 

SBOA DEFINED MINIMUM LEVEL OF INTERNAL CONTROLS

Internal controls help entities run their operations efficiently and effectively; help entities report reliable information about their operations; and they help entities comply with applicable laws and regulations.

The SBOA plans to issue the Uniform Guidelines for Internal Control Standards and Procedures that provide a basis of common understanding and establishes minimum expectations to assist governmental units in complying with the requirements of IC 5-11-1-27.

The SBOA guidelines reference the publication put out by the U.S. Government Accountability Office called “Standards for International Control in the Federal Government” aka Green Book. More information can be found at www.gao.gov/greenbook/overview.

The basic premise for using the Green Book is that you identify an objective, you design a control, you put the control in place, and you will achieve the objective.

There are five components of internal control that are broken down into 17 separate principles.




LARGE UNITS VS SMALL UNITS

Pg. 18 of US GAO Green Book

The 17 principles apply to both large and small entities. However, smaller entities may have different implementation approaches than larger entities. Smaller entities typically have unique advantages, which can contribute to an effective internal control system. These may include a higher level of involvement by management in operational processes and direct interaction with personnel. Smaller entities may find informal staff meetings effective for communicating quality information, whereas larger entities may need more formal mechanisms—such as written reports, intranet portals, or periodic formal meetings—to communicate with the organization.


A smaller entity, however, faces greater challenges in segregating duties because of its concentration of responsibilities and authorities in the organizational structure. Management, however, can respond to this increased risk through the design of the internal control system, such as by adding additional levels of review for key operational processes, reviewing randomly selected transactions and their supporting documentation, taking periodic asset counts, or checking supervisor reconciliations.



CONTROL ENVIRONMENT

The foundation for an internal control system. It provides the discipline and structure to help an entity to achieve its objectives. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.


Principles:

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
 2. The oversight body should oversee the entity's internal control system.
 3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- 

RISK ASSESSMENT

Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

Principles:

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
 9. Management should identify, analyze and respond to significant changes that could impact the internal control system.
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CONTROL ACTIVITIES

The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

Principles:

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.



INFORMATION AND COMMUNICATION

The quality information management and personnel communicate and use to support the internal control system.

Principles:

13. Management should use quality information to achieve entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.



MONITORING

Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.



DOCUMENTATION OF INTERNAL CONTROL SYSTEM

Pg. 71 of US GAO Green Book

Documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system. The Green Book includes minimum documentation requirements as follows:

- If management determines that a principle is not relevant, management supports that determination with documentation that includes the rationale of how, in the absence of that principle, the associated component could be designed, implemented, and operated effectively.
 - Management develops and maintains documentation of its internal control system.
 - Management documents in policies the internal control responsibilities of the organization.
 - Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.
 - Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis.
- * Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.